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CONFIDENTIAL

December 8, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Policy on Enlarged Access - Temporary Extension of the
Period Under Paragraph 4 and Modification of the
Mixing Proportions

The attached paper has been placed on the agenda of an Executive Board meeting scheduled for tomorrow, Friday, December 9, 1983.

Att: (1)

INTERNATIONAL MONETARY FUND

Policy on Enlarged Access--Temporary Extension of the Period
under Paragraph 4 and Modification of the Mixing Proportions

Prepared by the Legal and Treasurer's Departments

Approved by George P. Nicoletopoulos and David Williams

December 8, 1983

Three requests for new arrangements under the Policy on Enlarged Access have been placed on the agenda of the Executive Board on the ninth, sixteenth, and twenty-eighth of December. However, the authority of the Fund to approve requests under the Decision establishing the Policy on Enlarged Access (Decision No. 6783-(81/40), adopted March 11, 1981), has expired, in accordance with paragraph 4 of that Decision, when it was determined, on November 30, 1983, that the participation requirement for the Eighth General Review of Quotas was met. It is expected that the Executive Board will approve, within the next two weeks, an extension until the end of 1984 of the period during which arrangements may be approved under the Policy on Enlarged Access. In order to make it possible to approve the first two of these requests, which are to be considered by the Executive Board before it is expected to act on the extension, it is proposed that the period during which the Fund could approve arrangements under the Policy on Enlarged Access be extended for a brief period, i.e., until midnight, December 16, 1983 (Washington, D.C. time). A decision to extend the authority to approve these arrangements requires an 85 percent majority of the total voting power for the reasons set forth in SM/83/230 (11/7/83).

There appeared to be a consensus, during the Executive Board meetings on Monday, December 5, 1983 (EBM/83/168 and 169), in favor of the simplification of the mixing proportions as set forth in paragraphs 1 and 2 of the proposed decision on page 9 of EBS/83/245 (11/14/83), and the Managing Director indicated that a formal decision would be adopted together with the extension of the Policy on Enlarged Access. In order to avoid the application to the arrangements with Mali and Zaire of the present rules with respect to the proportions and the "catching-up," it is proposed that this decision be adopted with immediate effect, and that the proposed stand-by arrangements be amended accordingly. If the original procedures for mixing ordinary and borrowed resources remained in effect, the arrangements for Mali and Zaire would be financed with somewhat smaller amounts of ordinary resources and somewhat larger amounts of borrowed resources than under the simplified procedures. The exact use of ordinary resources and borrowed resources under both procedures for both of these countries is shown in the Appendix table. Under the arrangement for Madagascar, purchases would commence only later when the simplified procedures would, in any case, be in effect.

Accordingly, the following decisions, the first of which must be adopted by an 85 percent majority of the total voting power, are proposed for adoption by the Executive Board.

I. Temporary extension of the policy on enlarged access

The period during which the Fund may approve a stand-by or extended arrangement that provides for Enlarged Access under Decision No. 6783-(81/40) is extended until midnight, December 16, 1983.

II. Mix of ordinary and borrowed resources under the policy on enlarged access

The Fund, having reviewed the proportions of ordinary and borrowed resources to be used under a stand-by or extended arrangement approved under Decision No. 6783-(81/40) on the "Policy on Enlarged Access," decides that:

1. The proportions after the Eighth General Review of Quotas becomes effective will be as follows:

(a) Under a stand-by arrangement purchases will be made with ordinary and borrowed resources in the ratio of 2 to 1 in the first credit tranche, and 1 to 1 in the next three credit tranches. Thereafter, purchases will be made with borrowed resources only.

(b) Under an extended arrangement, purchases will be made with ordinary and borrowed resources in the ratio of 1 to 1 until

the outstanding use of the upper credit tranches and the Extended Fund Facility equals 140 percent of quota. Thereafter, purchases will be made with borrowed resources only.

2. In accordance with subparagraph 8(d) of Decision No. 6783-(81/40), the proportions in (1) above shall apply to amounts that may be purchased under existing arrangements after the effective date of this decision on the basis of the member's quota at the time the arrangement for the member was approved.

APPENDIX

Table. Use of Ordinary and Borrowed Resources Under Original and Simplified Mixing Procedures

	<u>Mali</u>		<u>Total</u>
	<u>OR</u>	<u>BR</u>	
<u>Arrangement with original mix (based on new quota)</u>	5,881,818	34,618,182	40,500,000
Less first purchase	--	10,000,000	<u>-10,000,000</u> 30,500,000
Balance in the ratio of 1:1	<u>15,250,000</u>	<u>15,250,000</u>	<u> </u>
Total	15,250,000	25,250,000	40,500,000
Arrangements with simplified mix (1:1) from beginning	<u>20,250,000</u>	<u>20,250,000</u>	<u>40,500,000</u>
Original mix compared to immediate use of simplified mix	-5,000,000	+5,000,000	--
	<u>Zaire</u>		
	<u>OR</u>	<u>BR</u>	<u>Total</u>
<u>Arrangement with original mix (based on new quota)</u>	92,829,545	135,170,455	228,000,000
Less first purchase	5,556,818	30,443,182	<u>-36,000,000</u> 192,000,000
Balance in the ratio of 1:1	<u>96,000,000</u>	<u>96,000,000</u>	<u> </u>
Total	101,556,818	126,443,182	228,000,000
Arrangements with simplified mix (1:1) from beginning	<u>114,000,000</u>	<u>114,000,000</u>	<u>228,000,000</u>
Original mix compared to immediate use of simplified mix	-12,443,182	+12,443,182	--